

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO IMMEDIATE

C O N F I D E N T I A L STATE 119477

STADIS//////////

EXDIS

E.O. 11652: GDS

TAGS:ENRG

SUBJECT:SECRETARY'S SPEECH ON ENERGY AND RAW MATERIALS

REF : (A) TOKYO 6720; (B) STATE 110686

1. FOLLOWING IS GUIDANCE FOR QUESTIONS POSED BY MITI STAFF
CONTAINED REFTEL. IN CONVEYING ANSWERS, EMBASSY SHOULD
EMPHASIZE THAT RESPONSES REPRESENT CURRENT STATUS OUR
THINKING AND THAT MANY OF THE SUBJECTS CONTINUE UNDER
INTERAGENCY REVIEW.

2. QUESTION A: U.S. VIEW ON COMMODITY ARRANGEMENTS IS
BASED ON CONCLUSION THAT COMMODITIES MUST BE EXAMINED
CASE BY CASE. IN SOME SPECIFIC INSTANCES, THE PROBLEMS OF
A COMMODITY MAY BE SUSCEPTIBLE TO PRICE STABILIZATION.
MOST OBVIOUS CANDIDATES IN THIS CONNECTION ARE TROPICAL
PRODUCTS, ESPECIALLY THOSE FOR WHICH COMMODITY AGREEMENTS
HAVE ALREADY EXISTED, PLUS TIN. WE HAVE OPEN MIND ON EXAM-
INATION OTHER CANDIDATES, BUT ARE DOUBTFUL THERE ARE MANY
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COMMODITIES WHICH WILL BE APPROPRIATE FOR PRICE STABILIZA-

TION APPROACH. OTHER COMMODITY ARRANGEMENTS WILL HAVE TO ADDRESS MORE STRUCTURAL DEMAND/SUPPLY CONSIDERATIONS. BANANAS, FOR EXAMPLE, IS A CLASSIC CASE OF STRUCTURAL OVER PRODUCTION FOR WHICH PRICE STABILIZATION WOULD SIMPLY NOT

WORK. IN YET OTHER CASES MARKET PROMOTION TECHNIQUES MAY BE MOST SUITABLE APPROACH. THE BASIC POINT HERE IS THAT WHAT IS REQUIRED IS ANALYSIS OF THE PROBLEMS FOR SPECIFIC COMMODITIES AND PROPOSALS TO DEAL WITH THOSE PROBLEMS WITHOUT PRECONCEPTION.

3. QUESTION B: U.S. STOCKPILE OF METALS AND MINERALS IS UNDER CONTINUING REVIEW. WHERE U.S. STOCKS ARE IN EXCESS OF STRATEGIC OBJECTIVE, DISPOSALS MAY TAKE PLACE

THROUGH GSA SALES PROGRAMS. PRIOR AUTHORIZATION, HOWEVER, REQUIRED FROM THE CONGRESS WHICH SOMETIMES OBTAINED ONLY AFTER GREAT DELAY. RELATIONSHIP BETWEEN U.S. STOCKPILES AND NEW COMMODITY ARRANGEMENTS AGAIN MUST BE EXAMINED CASE BY CASE. AN OBVIOUS CONNECTION EXISTS BETWEEN EXCESS U.S. TIN STOCKS AND BUFFER STOCK OF ITC. WE HAVE CONSISTENTLY FOLLOWED PRACTICE OF CONSULTING WITH PRODUCING INTERESTS, FOREIGN AND DOMESTIC, ON STOCKPILE DISPOSALS AND HAVE REGULARLY CONSULTED WITH ITC ON TIN DISPOSALS. CLEARLY, WE WILL BE PREPARED TO DO SO IN ANY FUTURE TIN AGREEMENT.

4. QUESTION C: U.S. HAS NOT YET DEVELOPED POLICY TOWARDS COMPENSATORY FINANCING OR OF OTHER FORMS OF EXPORT EARNINGS STABILIZATION. THIS MATTER UNDER STUDY WITHIN USG AND WE EXPECT TO BE ABLE TO PARTICIPATE IN INTERNATIONAL STUDIES OF SUCH PROPOSALS.

5. QUESTION D: U.S. HAS NOT TAKEN POSITION TOWARD REGIONAL COMMODITY ARRANGEMENTS SUCH AS EC'S LOME CONVENTION (WHICH IS ONLY SUCH ARRANGEMENT OF WHICH WE ARE AWARE). WE HAVE, OF COURSE, TRADITIONALLY OPPOSED REGIONAL PREFERENTIAL ARRANGEMENTS. WE HAVE NOT, HOWEVER, OPPOSED FINANCIAL DONATIONS ON A REGIONAL BASIS.

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6. QUESTION E: U.S. THINKING ON HANDLING OF COMMODITIES IN MTN PRETTY MUCH OUTLINED IN SECRETARY'S KANSAS CITY SPEECH. BASICALLY, THIS INVOLVES RULES ON DEALING WITH ACCESS TO SUPPLY AS COUNTERPART TO ACCESS TO MARKETS. ACCESS TO MARKETS CAN PROVIDE MEANS OF PROMOTING DEVELOPMENT OF PROCESSING INDUSTRIES IN RAW MATERIAL PRODUCING COUNTRIES. FINALLY, SOME MEANS OF DEALING WITH POTENTIAL DISPUTES ALONG LINES OF ARTICLE XXXIII SHOULD BE CONSIDERED.

7. QUESTION F: DISCUSSIONS AT IWC PREPARATORY GROUP MAY 29-30 WILL BE PRIMARILY OF TECHNICAL NATURE AND U.S. THEREFORE DOES NOT EXPECT TO MAKE COMPREHENSIVE PROPOSAL AT THAT TIME. U.S. PAPERS RECENTLY SENT TO IWC FOR PREP GROUP MEETING ARE LIMITED IN SCOPE AND DEAL WITH

SPECIFIC ASPECTS OF POSSIBLE RESERVES AGREEMENT. AT THIS POINT WE AIMING AT MAKING FULLER PRESENTATION OF COMPREHENSIVE U.S. RESERVES PROPOSAL IN IWC COUNCIL MEETING IN LATE JUNE.

8. QUESTION G: AS INDICATED IN SECRETARY'S MAY 13 SPEECH, WE BELIEVE GRAIN RESERVES SYSTEM MUST IN TIMES OF SHORTAGE ASSURE ACCESS TO SUPPLIES FOR COUNTRIES PARTICIPATING IN IT. THIS WILL BE DEALT WITH IN GREATER DETAIL IN COMPREHENSIVE PROPOSAL. WE WOULD EXPECT TO CONSULT BILATERALLY WITH MAJOR POTENTIAL PARTICIPANTS, INCLUDING JAPAN, PRIOR TO PRESENTING THIS PROPOSAL.

9. QUESTION H: EMBASSY SHOULD DRAW ON PARA 3 REFTEL B. INGERSOLL

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